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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

August 8, 2000

Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: **CC Docket No. 96-45; Federal-State Joint Board on Universal Service**

Dear Ms. Salas:

Enclosed herewith for filing are the original and four (4) copies of WorldCom, Inc.'s Comments in the above-captioned proceeding.

Please acknowledge receipt by affixing an appropriate notation on the copy of the Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Chris Frentrup

Chris Frentrup
Senior Economist
1801 Pennsylvania Ave, NW
Washington, DC 20006
(202) 887-2731

WorldCom, Inc.

Enclosure

[redacted]

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
	)	

COMMENTS OF WORLDCOM, INC

WorldCom, Inc. ("WorldCom") hereby submits its comments in response to the Public Notice released on July 24, 2000, in the above-captioned docket.[1]

I. INTRODUCTION

On July 31, 2000, non-rural local exchange carriers (LECs) will have filed 1999 wire center switched line count data. The Commission seeks comment on several issues regarding the use of these updated line count data in its universal service cost model - whether the data should be used, in order to capture additional economies of scale; how the lines should be apportioned among the line types in the model, and how the Commission should determine the number of special access lines; and how to match the wire center line counts with the wire centers in the model.

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[1] Common Carrier Bureau Seeks Comment on Updating Line Counts for Calculating High-Cost universal Service Support for Non-Rural Carriers for the Year 2001, CC Docket No. 96-45, DA 00-1626, (rel July 24, 2000) (Public Notice).

II. THE NEW DATA SHOULD BE USED TO REFLECT THE NEW ECONOMIES OF SCALE

WorldCom supports the Commission's proposal to update the line counts used in its cost model with these new data. Because these data reflect the most current available line counts, they will allow the cost model to reflect the further economies of scale of the network that are available due to the growth in the network. As the Commission rightly notes, continuing to use the older line counts in the model to compute per line costs while using the new line count to compute total support will simply result in an ever-increasing fund size, even though the increase is not necessary to ensure universal service. Since including the additional lines will allow the model to reflect the further economies of scale, the new line counts must also be reflected in the cost model.

Before using the wire center line data, the Commission should make one comparison to check the data. The incumbent LECs report line type data by study area in the ARMIS 43-01 and 43-08. The Commission should confirm that the sum of the wire center line counts for each study area matches the study area total previously reported in ARMIS. Any discrepancies must be corrected (in either the ARMIS reports or in the July 31 data submission) or justified.

III. SWITCHED LINES CAN BE APPORTIONED TO TYPES USING DATA FROM THE 1999 DATA REQUEST

The wire center line counts the LECs will have submitted on July 31, 2000 will be total loops. However, the universal service cost model requires switched lines by type - business, residential, payphone, and single-line business - as well

as special access lines. There are two methods that could be used to apportion the lines to the types needed by the model. Neither is certain to be exactly right, and both have drawbacks and advantages.

The first method has the advantage of simplicity and reliance on wire center specific data. In this method, the total loop count submitted on July 31 would be apportioned among the switched line types using the proportions from the 1999 data request. Thus, if in the 1999 data request, the incumbent LEC reported that 40 percent of the total switched lines in a wire center were residential, then 40 percent of the lines reported on July 31 by the incumbent LEC for that same wire center should be considered residential. The only drawback to this methodology is that it ignores the possibility -- indeed the high likelihood -- that the different line types grow at different rates.

The second method would recognize that the types grow at different rates. In this method, study area-wide line growth rates by type would be computed from the 1998 and 1999 ARMIS reports separately for each line type. This growth rate would then be applied to the line type counts reported in the 1999 data request for each wire center. The proportions of line types would be computed from these estimated quantities.[2]

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[2] For example, assume the ARMIS data showed residential lines in the study area grew 5 percent between 1998 and 1999, while the other line types remained constant. Also assume that the 1999 data request showed 60 residential lines and 37 business lines. The first method would compute that 60/97, or 62 percent of lines were residential, while the second method would compute that (60 *1.05) / ((60*1.05)+37), or 63 percent of lines were residential.

Unless growth rates are very large and/or very different by line type, both of these methods are likely to give similar results. The first method is based only on wire center-specific data, but ignores the (unknown) growth in line types in each wire center. The second recognizes the growth that occurs, but assumes (in all likelihood incorrectly) that growth is the same in all wire centers. Since the two methods will likely give similar answers in most cases and the first method is simpler, WorldCom suggests that the Commission use the first method.

IV. SPECIAL ACCESS LINES SHOULD BE DETERMINED FROM THE 1999 DATA REQUEST AND ARMIS DATA

The wire center data submitted on July 31 will not include special access lines. To obtain an estimate of wire center special access lines, the Commission should use the 1999 data request special access line counts, grown at the study area-wide growth rate computed from special access lines reported in the 1999 and 1998 ARMIS. Although this assumes that special access lines in all wire centers grow at the same study area-wide growth rate, it will also ensure that the overall line count is correct. Also, given the relatively small number of special access lines, especially in those wire centers that are most likely to receive universal service support, the use of a study area-wide growth rate should not skew the resulting estimates of per line costs.

V. THE COMMISSION SHOULD SEEK INDUSTRY ASSISTANCE TO RECONCILE ANY WIRE CENTER MISMATCHES BETWEEN WIRE CENTERS IN THE LINE COUNT DATA AND IN THE MODEL

The Commission seeks comment on how it should match wire centers in the line count data with the wire centers in the model. In most if not all cases, there should be no mismatch; the wire center name used in the model should have an exact counterpart in the line count data. There could be some cases, however, in which there is a discrepancy. Since the discrepancies are likely to be for several different reasons, WorldCom cannot suggest *a priori* how to handle each case. Once it has identified any mismatches, the Commission should seek input from any interested parties who can shed light on the source of the problems. WorldCom will gladly assist in any way it can in correcting any mismatches, once specific mismatches have been identified.

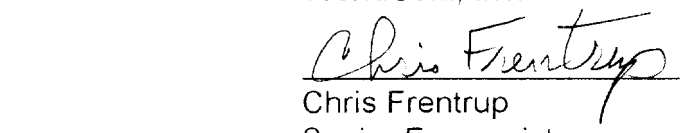
VI. CONCLUSION

The Commission should use the wire center line counts filed on July 31 in the universal service cost model, after verifying the data's consistency. The switched access lines should be apportioned to the line types used in the model, and special access line counts should be determined, using information contained in ARMIS and the 1999 data request, as described in these comments. Finally, the

Commission should seek further input from parties if it identifies any specific mismatches between the wire centers reported on July 31 and the wire centers included in the model.

Respectfully submitted,

WorldCom, Inc.



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August 8, 2000

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on August 8, 2000.

Chris Frentrup
1801 Pennsylvania Avenue, NW
Washington, DC 20006
(202) 887-2731

CERTIFICATE OF SERVICE

I, Elizabeth Bryant, do hereby certify that on this 8th day of August, 2000, I caused a copy of the foregoing Comments of WorldCom, Inc. to be served upon each of the parties listed on the attached Service List by U.S. First Class mail, postage prepaid.

Elizabeth Bryant

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